
Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 001

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.

Resolution: The Department does not agree with the auditor that home health agencies performing in-home care must be Medicare certified. The Department followed up on the previous audit by submitting State Plan Amendment (SPA) 06-008, which was approved on April 1, 2006. This amendment exempts home health agencies providing private duty nursing from the Medicare certification requirement. To further clarify language that home health agencies providing personal care do not require Medicare certification, SPA 06-012 was submitted to the Centers for Medicare and Medicaid Services (CMS). The Department is in ongoing communications with CMS. As CMS requests additional information, the Department provides it. CMS is considering Department responses and has not yet made a determination.

The Department will work with Health and Human Services if any unallowable costs are identified.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 002

Finding: The Department of Social and Health Services is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.

Resolution: The Department implemented the following processes to ensure Medicaid clients have valid social security numbers (SSN):

- The Department uses the Social Security Administration's State On-line Query (SOLQ) to check the validity of SSNs. Required SOLQ training was conducted in December 2006.
- A programming change has been requested, but not yet approved, for the Automated Client Eligibility System to have hard edits that will require workers to take action at the time of medical recertification for individuals who have an SSN application pending more than 60 days. The programming change request will continue to be evaluated and assigned priority in relation to other changes also under consideration.
- Since December 2006, Community Service Office supervisors have added medical cases to their monthly case audits that focus on SSN mismatched alerts and checking for consistent use of SOLQ for SSN.
- As of April 30, 2007, Community Service Division Headquarters staff began quarterly random audits on medical cases and checking for consistent use of SOLQ at application and reviews. From April through June, 302 cases were reviewed showing 98% of SSNs were correct and verified. Department quality assurance staff continue to gather data through random audits.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 003

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to prevent Medicaid payments for services provided after a client's death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.

Resolution: The Department implemented the following processes to ensure Medicaid clients have valid social security numbers (SSN):

- The Department uses the Social Security Administration's State On-line Query (SOLO) to check the validity of SSNs. Required SOLO training was conducted in December 2006. The training emphasized the importance of checking SOLO for each medical applicant and of going back to check that the results were federally verified.
- The Automated Client Eligibility System alerts were moved into the Department's Document Management System (DMS). This change integrates alerts into DMS to assist workers in monitoring and tracking system-generated alerts in the same way they do all other assignments.
- In March 2007, a reminder was sent to Community Service Division (CSD) staff to follow appropriate policies and procedures in assisting the clients to apply for an SSN.
- In April 2007, CSD reviewed the death notification process with the Department's Health and Recovery Services Administration to ensure there is no delay in providing this information to the field.
- On May 17, 2007, CSD staff received a memo reminding them to make appropriate referrals to the Department's Division of Fraud Investigations of any instances of apparent identity theft or provider fraud.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 004

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate controls to ensure compliance with Medicaid requirements to identify third parties responsible for payments for pharmaceutical services.

Resolution: The Department has internal controls, including pre- and post-payment compensating controls, sufficient to provide reasonable assurance that third party resources will be identified and overpayments recovered. In accordance with federal regulations, the Department has taken "reasonable measures to determine the legal liability of third parties...." Specifically, the Department:

- Requires clients to report third party coverage when applying for medical assistance.
- Conducts health insurance data cross-matches against data from the Employment Security Department, Department of Labor and Industries, and Department of Personnel, to determine if any other coverage benefits exist.
- Denies pharmacy claims if third party coverage exists.

Additionally, Department staff assist pharmacists by making billing information available through toll-free lines, Health and Recovery Services Administration's (HRSA) provider website, clients' medical identification cards, and explanations of benefits on weekly remittance advices sent to providers.

When claims are submitted, the Department's Medical Management Information System client eligibility file reports any client having insurance coverage and denies the claim. The onus is then placed on the pharmacy provider to verify the availability of third party benefits and bill the third party and Medicaid appropriately. When the pharmacy providers bill Medicaid, they may need to use override codes to ensure they receive timely reimbursement for services provided. If the pharmacy provider uses an override code and later determines that third party insurance was available, the pharmacy provider is required to verify and pursue clients' third party benefits and refund to HRSA any Medicaid payments also paid by a liable third party.

The Department actively conducts post-payment audits of pharmacy override code usage. Thirty pharmacy third party liability audits were performed in 2005; twenty-one in 2006. The pharmacies audited were identified and prioritized by risk exposure based on dollars by override code. Overpayments identified for these 51 audits total \$3,314,056 of which \$3,053,769 has been recovered.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 005

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to support decisions on the eligibility of clients enrolled in Medicaid's Basic Health Plus program.

Resolution: To ensure adequate internal controls are followed, the Department's Medical Eligibility Determination Services (MEDS) unit began auditing 15 cases per unit (four units) weekly. The audits focus on income budgeting and documentation. This was implemented in February 2007. The results of these audits assist the department in identifying areas where internal controls could be strengthened. The audits strengthen controls in the following ways:

- The audits include a review of new policies implemented by headquarters that affect MEDS operations, to ensure consistent compliance.
- Target trends are identified in the audits. Training is focused on those trends.
- It is mandated in the audit plan that staff check available interfaces for unreported income for those clients 16 years of age or older.
- Audits, including documentation and remarks, are available in the Department's Automated Client Eligibility System to clearly identify calculations and actions taken.

Training on eligibility determinations for self-employed clients was conducted by Eligibility Policy and Community Education staff during February 2007. Training on income budgeting was provided in March 2007. This training included reviewing Department policies and procedures. All training was mandatory for staff.

Phase one of the Self-Employment training for supervisors and leads was completed on March 12, 2007.

The Centers for Medicare and Medicaid Services has ruled that no costs may be recouped for eligibility errors unless the recoupment is the result of a Medicaid Eligibility Quality Control audit. Therefore, no costs will be repaid.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 006

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate controls to ensure claims for wheelchairs and wheelchair accessories are properly authorized as required by law.

Resolution: The Department recognizes that expedited prior authorization for wheelchair claims exceeding two months in a twelve-month period is a control weakness. The expedited prior authorization process was corrected through a programming change, implemented on July 6, 2006, that added edits to prevent payment beyond authorized time periods without authorization.

The Department discovered incorrect coding had been entered in the Medicaid Management Information System for managed care clients in the disease management program. This error was corrected as of July 1, 2006.

The Department accepts Medicare authorization for payment of these wheelchair related claims. A second authorization on these claims is not necessary. The Department implemented WAC 388-543-110 governing authorization of wheelchair payments that clearly states that, for Medicare clients, no further authorization beyond Medicare is necessary. The implementation date of this new WAC was July 2007.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 007

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens as instructed by the Centers for Medicare and Medicaid Services.

Resolution: For the non-pregnant group: The Department's Health and Recovery Services Administration (HRSA) coordinated with the Office of Accounting Services (OAS) to set up unique account coding for alien emergency medical (AEM) charges and change the frequency of the adjustment that moves these charges to state funds. OAS draws Title XIX revenue once a week and will use the unique cost allocation coding that has been established to avoid drawing any federal revenue for AEM expenditures during the time period between when the expenditures are incurred and the adjustment takes place. This ensures that Medicaid funds are used for allowable expenditures only.

For the pregnant group: HRSA currently complies with the federal directive regarding drawing federal funds for pregnant alien women. Beginning with state Fiscal Year 2007, only labor and delivery claims are being charged to Title XIX. These claims are being identified by their diagnostic related group for inpatient hospital claims or by diagnosis code for physician and other ancillary claims. All non-labor and delivery claims for pregnant alien women, except pregnancy-related claims, are charged to state funds. Identified prenatal claims are paid with Title XXI (State Children's Health Insurance Program) funds only if they are related to labor and delivery claims for the births. This procedure was specifically approved by the Centers for Medicare and Medicaid Services in writing. A copy of the approval was provided to the auditor.

HRSA intends to comply with the federal Office of Inspector General's (OIG) audit report once it is completed and provides guidance to differentiate emergent vs. non-emergent services. Based on the entrance interview with the OIG, HRSA doesn't expect a draft finding until July 2008.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 008

Finding: The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.

Resolution: The Department's current verification procedures require staff to verify social security numbers (SSN) for all Medicaid clients through a cross-match with the Social Security Administration's (SSA) Numident file and, when there is a discrepancy, through the use of the State On-line Query (SOLO).

The Department's Eligibility A-Z manual states, "A client-provided social security number must be verified by the worker through an interface with SSA at the time the number is entered into the Automated Client Eligibility System (ACES)." If additional verification is required, the manual further instructs the worker to "enter the client provided SSN on the ACES Dem1 Screen. Verify the SSN accessing State On-line Query (SOLO) before exiting the screen."

As demonstrated in this year's audit, the SSNs were verified and accurate in ACES for the vast majority of exceptions noted in the Social Services Payment System (SSPS) testing. Often the SSN in SSPS is that of a deceased spouse or parent. However, the Department does verify the client's SSN in ACES prior to authorizing benefits.

The SSPS system limitations should be corrected with the new ProviderOne system. The Aging and Disability Services Administration has also issued two management bulletins (MB) regarding verification of SSNs in ACES. Another MB was issued April 9, 2007, with this reminder as well as direction to ensure the SSN entered into SSPS is that of the client and is not a claim number.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 009

Finding: The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, are not ensuring compliance with federal law regarding hospital surveys.

Resolution: *The following is a joint response from the Departments of Health and Social and Health Services.*

The Department of Health revised the method of recording deficient findings during Medicare surveys. All reports now indicate that all federal Medicare hospital certification regulations (Conditions of Participation) are reviewed for compliance during the onsite survey. All deficient findings are documented according to Centers for Medicare and Medicaid Services (CMS) Principles of Documentation.

CMS concurs with the actions taken by the Departments to ensure that hospital surveys are documented in accordance with federal regulations.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 010

Finding: The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.

Resolution: As a result of the Fiscal Year 2005 Medicaid audit, the Department asked the Centers for Medicare and Medicaid Services (CMS) for clarification. On December 8, 2006, the CMS regional office (RO) made a determination regarding that audit finding. The CMS RO does not concur with this finding.

Federal regulations state, "The State survey agency must use the survey methods, procedures, and forms prescribed by CMS." The CMS State Operations Manual gives the Department the guidelines that are followed in doing the certification or recertification.

CMS concurs with the actions taken by the Department to ensure that certification surveys are performed and documented in accordance with federal regulations.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 011

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure clients seeking to obtain medical benefits through the Medicaid program have applied according to federal regulations.

Resolution: The Department complies with federal Medicaid application requirements, specifically, the opportunity to apply without delay on a form prescribed by the agency and signed under penalty of perjury. There is no requirement for a (specific) request for Medicaid. However, for clarity the Department is implementing the following steps:

- The Department's Community Service Office added a name and case number field to the signature page of the application in January 2007, to ensure all pieces of the application can be identified if separated.
- In May 2007, the Department sent a memo to the field as a reminder to get signatures and to document eligibility changes to the application for benefits. The staff was also reminded to document eligibility determination.
- Applicants for long-term care programs may check either the box for medical or for long-term care services. Both are considered requests for medical assistance.
- Since 2003, when the Department's Document Management System (DMS) became functional for the Community Services Division (CSD), all documents – including applications received since that time – are scanned into an electronic case record and retained by the Department. Prior to that time, obsolete paper copies of applications were destroyed. An application is considered obsolete three years after the last claim was paid. As of the implementation of DMS, all received documents are available.
- The Department's Health and Community Services has implemented DMS in two regions and is on track for complete implementation in all regions by December 2007.
- The Department follows federal regulations regarding record retention. The statement from the State Records Committee approving a three year record retention was given to the auditor.

The CSD Headquarters began conducting random audits of medical cases in April 2007. The audits include reviewing the application process.

The Department developed a statewide training group and curriculum for consistency within offices on eligibility determination procedures, among other issues. The training is ongoing.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 012

Finding: The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government and in a timely manner.

Resolution: The Department's Financial Services Administration (FSA) established policies and procedures for refunding federal funds in October 2006. FSA is ensuring that the federal share of overpayments is refunded at the end of the 60-day period following discovery, based on policies established for regular and fraud/abuse overpayments.

FSA meets with the Department's Health and Recovery Services Administration monthly and with the Economic Services Administration, Aging and Disabilities Services Administration, Juvenile Rehabilitation Administration, and Children's Administration periodically to discuss future overpayments and ongoing collections.

The Fraud and Abuse Coordination Team meets monthly to coordinate fraud cases. Representatives from various Department administrations that receive Medicaid funding participate in the meetings with the State's Medicaid Fraud Control Unit and FSA. This is another forum for FSA to obtain information to help overpayment collection efforts.

In September 2007, FSA created a work list of staff who are responsible for overpayment referrals to the Office of Financial Recovery (OFR) from the administrations within the Department. This list of staff was provided to the auditors for their use during overpayment audits. This list of staff will be used by FSA to communicate about overpayments by Department administrations and, if necessary, to improve the referral process of overpayments to OFR.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 013

Finding: The Department of Social and Health Services, Health and Recovery Services Administration, has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.

Resolution: The Centers for Medicare and Medicaid Services (CMS) has been working with the Department to improve the data used for rate setting and has approved Washington State's methodology for setting managed care rates. In addition, the 2006 managed care contract has been approved.

The new ProviderOne payment system will enhance the rate-setting process by allowing encounter and other data to be tracked in one comprehensive system. Until that system is implemented, the state will continue to compare the encounter data with the plan experience data submitted to the actuary. That process has been reviewed by CMS and determined to be acceptable.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 014

Finding: The Department of Social and Health Services does not have adequate controls to ensure home health agencies are licensed, Medicare-certified and have signed Core Provider Agreements as required by law.

Resolution: The Department's Provider Enrollment Unit has developed a new procedure to ensure that home health providers continue to meet Medicaid participation criteria. Beginning April 2007, Provider Enrollment has conducted reviews from a random sample of home health providers every three months. The reviews check for the Core Provider Agreement, the debarment statement, Form W-9, and a current business license. Reviews of existing providers are complete. New procedures are in place for all providers who apply for Medicaid participation.

A database has been maintained showing the results of the reviews and action taken.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 016

Finding: The Department of Social and Health Services does not have adequate controls in place to ensure providers of durable medical equipment exist, are properly licensed and have submitted accurate information.

Resolution: The Department's Provider Enrollment Unit has developed a new procedure to ensure durable medical equipment (DME) providers continue to meet requirements of the Department. Beginning April 2007, Provider Enrollment began conducting reviews from a random sample of DME providers every three months. These reviews check for the Core Provider Agreement, the debarment statement, Form W-9, and a current business license for ten providers (2% of DME providers) per quarter. Records are kept of reviews and actions taken.

All new Medicaid applications are checked for required documentation.

As of January 2007, in-state providers must have a Washington State business license. Out-of-state providers may submit a state, county, or city license. The Department will accept any of the three. If the provider's state does not require a business license, the provider must submit a letter declaring their state has no licensing requirements.

DME vendors that appear questionable based on the initial drive-by review are referred for additional follow-up. Follow-up reviews are scheduled into the existing workload based on risk and materiality to the Department.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 017

Finding: The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.

Resolution: The Department's Pharmacy Point-of-Sale (POS) vendor loaded the Drug Enforcement Administration (DEA) numbers from the national DEA database and, in June 2006, the Department implemented a system enhancement that utilizes this data to validate against the full DEA national database at the time of pharmacy claims adjudication. All pharmacies submitting claims to Medical Assistance, whether in state or out of state, are validated.

As of October 2006 and thereafter, DEA numbers identified as belonging to veterinarians are manually blocked in POS and their claims appropriately recouped. The Department will continue to manually block veterinary DEA numbers as they are identified.

The Department will continue post-payment review to identify claims with an invalid prescriber number as appropriate. This review is to ensure that any problems with the database are identified and corrected.

The first post-payment review file of transactions was sent to 219 providers having \$770,000 in potential overpayments. The remainder of the potential overpayments totals \$19,000 for 180 providers. This amount was not considered significant enough to pursue for collection since the average collection would be \$105.

All overpayments identified by the Department are automatically reimbursed to the federal government via the established reporting process.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 018

Finding: The Department of Social and Health Services has not established effective procedures in all administrations to ensure compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.

Resolution: The Department's Mental Health Division (MHD) completed the following by December 2006:

- All incidents that are elevated to MHD Headquarters are reviewed and tracked for appropriate processing, referrals, corrective action, and close out.
- The Department's mental facilities, Eastern State Hospital and Western State Hospital, reviewed and updated all policies surrounding the reporting of incidents to include mandatory reporting of substantiated incidents to the Medicaid Fraud Control Unit (MFCU) and appropriate follow up in the event of referrals. This included a feedback loop for cases referred to and from external entities.
- The MHD is represented at the MFCU's monthly committee meetings.
- A single point of contact has been designated for all referrals originating from the MFCU.
- The Memorandum of Understanding between the MFCU and the Department has been established.

The incident manager, whose primary role is to track, monitor and report on incidents, began employment on May 16, 2007.

The MHD is developing an electronic incident reporting system that will track and trend incidents. This system will be available to the state hospitals and regional support networks. This will provide an avenue to adequately monitor the incident process. Implementation is on track for January 2008.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6585 M

Finding Number: 019

Finding: The agreement between the Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, covering hospitals' survey activities does not comply with federal requirements.

Resolution: *The following is a joint response from the Departments of Health (DOH) and Social and Health Services (DSHS).*

Clarification has been received from the Centers for Medicare and Medicaid Services (CMS) that the authority over DOH in conducting hospital surveys rests with CMS and not with DSHS, the State Medicaid agency. Due to this, the agreement between DOH and DSHS is not required to contain or enforce all federal requirements. It is the understanding of the Departments that the auditor is aware of the clarification from CMS and does not contemplate a repeat finding.

The agreement between DOH and DSHS ensures adequate and timely communication on survey results and allows DSHS to complete federal reports accurately and on time. The agreement does not extend beyond this purpose.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6663

Finding Number: 001

Finding: The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.

Resolution: While the Department does not implement segregation of duties based solely on system access, the Department has implemented compensating controls that it believes provide sufficient internal control over the processing of payments in the Agency Financial Reporting System (AFRS).

In February 2006, a new policy regarding AFRS security was adopted and communicated to staff. In addition to selecting the security option they would implement per the new policy, each office was required to perform a 100% review and update of staff access to AFRS. All individuals that required access to the system had to submit an updated AFRS Security Access form. If a form was not received for an individual by June 2006, access for that individual was deleted.

At the July 24, 2007 Accounting Policy Management Board (APMB) meeting, fiscal program managers (FPMs) were instructed to discuss with their staff the requirements of the AFRS security policy and ensure users of AFRS understand the two security options the policy permits and the need to review the AFRS warrant and transaction registers. APMB members were also instructed to verify that the Division of Finance email distribution list contained the correct fiscal staff. This was done to ensure all accounting messages, including those regarding AFRS security, are received by the appropriate personnel. The Department also added a statement to the state Fiscal Year 2007 Management Certification Checklist requiring each assistant secretary to certify that fiscal staff within their administration regularly review AFRS security to ensure only necessary employees have access.

The analysis of the audited one-time vendor payments (payments to vendors that do not require tax information to be obtained) was conducted and completed by December 5, 2006. The use of one-time vendors is monitored closely. On a quarterly basis, the Office of Accounting Services (OAS) reviews all one-time payments made that quarter. A database was created that checks the payment description and compares whether each transaction was processed using a one-time vendor correctly. A report detailing the transactions that used a one-time vendor incorrectly is distributed to the FPMs quarterly.

OAS submitted a request to the Information Technology office to generate a report from the Human Resource Management System for current department employees by name and address. OAS staff are currently reviewing the results that were obtained for the January 2007 through October 2007 time period. OAS is conducting an assessment of these results to determine the most efficient way to notify FPMs of the invalid one-time vendor transactions to employees. Preliminary review has shown that most of the employees that were paid as one-time vendors were authorized. OAS plans to have this assessment completed by December 31, 2007.

State of Washington

Status of Audit Resolution

December 2007

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6663

Finding Number: 002

Finding: The Department of Social and Health Services, Division of Developmental Disabilities, does not include required insurance language in contracts with individuals and agencies who provide transportation for clients of supported living services.

Resolution: WAC 388-101-3445 regarding client transportation was amended effective February 1, 2008, to clearly define liability insurance requirements.

Department Administrative Policy 13.13, "Insurance Requirements for Contracts," requires that general liability insurance be maintained for all Department contracts. Per this policy, auto liability insurance is required when a contractor transports clients. Language was added to all Division of Developmental Disabilities supported living and group home contracts issued starting July 1, 2007. The language requires contractors to maintain a business automobile policy on contractor-owned vehicles used to transport clients, per policy 13.13. In addition, the new language requires contractors to maintain non-owned vehicle coverage for vehicles not owned by the contractor but used to transport clients.

The Aging and Disability Services Administration assistant secretary approved the language now included in these contracts.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6663

Finding Number: 003

Finding: The Department of Social and Health Services does not have adequate controls to ensure all payments through its Social Services Payment System are supported and approved.

Resolution: The auditor reviewed selected payments from Children's Administration (CA), Aging and Disability Services Administration (ADSA), Division of Developmental Disabilities (DDD) and Economic Services Administration (ESA) for duplicate payments. All exceptions identified by the auditor were reviewed by the respective divisions and any overpayments were sent to the Office of Financial Recovery for collection.

For ADSA, no duplicate payments were found but one unauthorized payment occurred because the 'Exception to Rule' process was not properly implemented.

On June 8, 2007, DDD reviewed and discussed the 'Exception to Rule' process and requirements. In March 2008, the DDD Case Management Information System will implement electronic processing and tracking of all 'Exception to Rule.' Additionally, the DDD Quality Control and Compliance Team verifies, through audits of randomly selected case files, that proper prior approval was obtained for exceptions.

CA strengthened their payment processes. In May 2007, CA began ongoing staff training on the rules for processing payments, stressing the importance of compiling and retaining support documentation for payments made. A special focus was placed on supervisors for fiscal staff in the field. A team was also established to work on algorithms to identify anomalies warranting review.

ESA emphasizes payment accuracy through ongoing monthly audits by Community Services Office supervisors and quarterly payment reviews by headquarters staff.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 6663

Finding Number: 004

Finding: The Department of Social and Health Services, Division of Child Care and Early Learning, did not perform adequate monitoring for background checks.

Resolution: *The Department of Early Learning responded to this finding. Refer to page 55.*

Department of Social and Health Services (DSHS) **Agency: 300**

Audit Report: 2006 F

Finding Number: 022

Finding: The Department of Social and Health Services, Economic Services Administration, is not in compliance with eligibility requirements for the Temporary Assistance for Needy Families Program.

Resolution: The Department implemented the following processes to ensure clients have valid social security numbers (SSN):

- The Department uses the Social Security Administration's State On-line Query (SOLO) to check the validity of SSNs. In November 2006, a reminder memo was sent to field staff to use SOLO. Required SOLO training was conducted in December 2006.
- Beginning December 2006, supervisors added medical cases, including Temporary Assistance for Needy Families Program, to their monthly case audits. These audits focus on mismatched alerts and check for consistent use of SOLO for SSN verification.

Cases identified by the auditor as questioned costs were reviewed and clients were requested to provide documentation to enable the Department to determine eligibility. In June 2007, cases relating to those questioned costs were reviewed for correct SSNs. All cases identified by the auditors have been addressed and resolved. Ongoing supervisory audits and headquarter audits were implemented to ensure correct SSNs are used in the future.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 023

Finding: The Department of Social and Health Services, Division of Child Support, is not complying with federal requirements for time and effort reporting for the Child Support Enforcement grant.

Resolution: In June 2007, the Department implemented the following steps to ensure compliance with federal requirements for time and effort reporting for the Child Support Enforcement grant:

- Developed a written process to ensure that the quarterly reconciliation is completed by the fiscal unit staff for child support staff.
- Developed and distributed written procedures for employees who work on multiple grants.
- Provided training to ensure staff understand how to report actual time worked.
- Continued to make quarterly adjustments based on time reporting.

The Department requires semiannual time certifications in April and October for employees who work 100% on a single federal program. The certification must be signed by a section chief or district manager who has direct knowledge of the work completed. The Department implemented the following steps to meet this requirement:

- Created a list of employees for each field office that is verified and certified by district managers.
- Created a list of employees for each child support headquarters unit which is verified and certified by the section chief or district manager.
- The lower-level reviews of names and verifications are attached to a semiannual certification for the Department's Child Support Division (CSD) director to sign before it is sent to the Office of Accounting Services.
- CSD added the following statement to the lists being verified by the headquarters managers and the district managers in the field: "I have personnel knowledge of the staff reflected in the FTE report for my office/area. All individuals reported worked 100% on IV-D grant activities (or have provided the necessary and appropriate timesheets)."

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Department of Social and Health Services (DHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 024

Finding: The Department of Social and Health Services, Division of Child Support, does not have adequate internal controls to ensure compliance with federal reporting requirements for the federal Child Support Enforcement grant.

Resolution: The Department took the following steps to provide adequate internal controls to ensure compliance with federal reporting requirements for the Quarterly Report of Expenditures and Estimates (OCSE 396A):

- In January 2007, the supervisor of the fiscal unit verified that the report was accurate before and after it was input within On-Line Data Collection. This is an ongoing process.
- In April 2007, the Department's director of Child Support certified the report within the On-Line Data Collection and submitted the report to the federal Office of Child Support Enforcement (OCSE). This is an ongoing process.
- In June 2007, the Department developed a new workbook that is easy to understand and less error prone.
- In June 2007, the Department trained staff responsible for completing the federal report to ensure they understand the workbook.
- In July 2007, the Department trained backup staff within the fiscal unit who can also complete the report.

The OCSE 396A report for the quarter ending December 31, 2006, corrected the errors made on the March 31, 2006 report. All subsequent quarterly reports through September 30, 2007, have been certified and submitted.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 025

Finding: The Department of Social and Health Services and the Department of Early Learning do not have adequate internal controls over direct payments made to child care providers.

Resolution: *The Department of Early Learning responded to this finding. Refer to page 56.*

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 026

Finding: The Department of Social and Health Services and the Department of Early Learning do not have adequate internal controls in place to ensure only eligible clients receive federal child care subsidies.

Resolution: *The following is a joint response from the Departments of Early Learning (DEL) and Social and Health Services (DSHS).*

DEL is the administrator of the grant funds and primarily responsible for ensuring adequate internal controls over eligibility of clients receiving federal child care subsidies.

DEL relies on DSHS, Community Services Division (CSD), to perform supervisory reviews of one percent of all cases in each region to confirm eligibility for federal child care subsidies. Prior to this audit, DEL and CSD were collaborating to resolve the issue of the supervisory reviews not being completed. In mid-2006, the agencies developed a Memorandum of Understanding that clearly establishes requirements and a process CSD will follow to provide quarterly results of audits to DEL.

DSHS Economic Services Administration determined the number of child care cases per region and reestablished and defined the expectations for the field to complete a one percent child care review. This was communicated to the field offices via a memo that explained the process and requirement, and it was also discussed at the childcare coordinators meeting. DEL is monitoring the quarterly reports for compliance.

In response to the auditor's recommendations regarding controls over payments for school holiday contingency hours, DEL sent school holiday care billing instructions to current in-home/relative providers in March 2007.

DEL also worked with DSHS's Payment Review Program to develop an algorithm that identifies School Holiday Care billing for children who were under the age of five on September 1, 2006. The results were referred to DSHS's Office of Financial Recovery in June 2007 for follow up.

In March 2007, DEL explored the possibility of an edit in DSHS's Social Services Payment System that would not allow billing for School Holiday Care unless the child was at least five years old by September 1st of that school year. It was determined, however, that such an edit would not be cost effective.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 027

Finding: The Department of Social and Health Services did not comply with federal requirements for suspension and debarment for the Social Services Block Grant.

Resolution: On February 8, 2007, the Department completed a review of the 139 psychological and psychiatric contracts executed by Children's Administration before the contract language on debarment was revised. The contractors' status was reviewed using the Excluded Parties List System (EPLS) internet website. None of the 139 contractors were found on the list. The relevant EPLS screen for each search was printed, dated, and filed in the associated contract records.

Appropriate debarment certification language was added to the Department's database of general terms and conditions in December 2006. All contracts entered into since then have the corrected language.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 028

Finding: The Department of Social and Health Services, Division of Alcohol and Substance Abuse, used federal funds to pay contractors a guaranteed amount above the actual level of service being provided.

Resolution: To ensure payments are issued with deliverables, the Department's Division of Alcohol and Substance Abuse (DASA) formed a cross-divisional workgroup to formulate necessary changes to the contract language. Additionally, DASA amended contracts as of February 28, 2007. The language in the new contracts specifies that payments will not be made until the contractor delivers services to DASA clients or achieves the requirements of the contract. These provisions allow federal funds to be used in payment on the contract.

For the costs questioned by the auditors, state funds were used to replace federal funds which were returned to the funding entity.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 029

Finding: The Department of Social and Health Services, Economic Services Administration, reimbursed contractors for services that were not adequately supported.

Resolution: The Department requires contractors to maintain backup documentation of client intake and application assistance contacts and group presentations that contain at a minimum:

- Client name
- Date of birth
- Signature
- Phone number or contact information
- Date of service

The data elements of 'Signature' and 'Date of service' were specifically added to the contractual requirements in response to this finding. Since implementation, the Department has regularly monitored each contractor's documentation to ensure compliance. On a monthly basis, 125 intake and 30 application contacts are randomly selected and the backup documentation is requested from the contractors and reviewed before payment is made. Since implementation, 100% of the requested documents have met the requirements of the contracts.

Contractors are required to develop a corrective action plan if discrepancies exceed 5% of verified contacts.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 031

Finding: The Department of Social and Health Services is not complying with federal requirements for time and effort reporting for the federal Vocational Rehabilitation Program.

Resolution: Time certification training was provided by the Office of Accounting Services (OAS) to the Department's fiscal program managers on March 16, 2007. The training provided an overview of agency policies on time certification requirements for positions that are coded to a single federal program and those that are coded to multiple federal programs and how to implement the policies to ensure consistency and compliance.

The owning of a position has been clarified for positions that are split between programs. The program identified in the Human Resource Management System organization unit will be responsible for completing the certification. It will be the responsibility of the identified program to update the Personnel Action Request form with the data obtained from the personnel activity records on a quarterly basis. This will allow the costs associated with these positions to be charged correctly to the various federal funding sources. The responsibility of these positions was clarified during the certification process that occurred in May 2007.

In June 2007, the Department's Division of Vocational Rehabilitation (DVR) consulted with the federal partner at Rehabilitation Services Administration, and it was determined to move questioned salary and benefits costs in the amount of \$20,815 from the Basic Support grant federal/state split to a 100% state code that will not be included in state match funds for the grant.

The Department received verbal approval from the federal Divisions of Cost Allocation (DCA) that the Department's methods used for positions that are coded to multiple federal programs do qualify as a substitute system. Once the original submittal of the 2007-2009 biennium Public Assistance Cost Allocation Plan (PACAP) is formally approved by DCA, OAS will continue to work with each program within the Department to identify each methodology used for allocating activities. These allocation methodologies will be incorporated into the PACAP and submitted to DCA for approval.

Positions owned by other divisions and partially charged to DVR may have various methodologies or substitute systems for allocating activities. These various methodologies will be incorporated into the cost allocation plan for future submissions.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 032

Finding: The Department of Social and Health Services, Division of Disability Determination Services, received reimbursement for unallowable costs for the Social Security Disability Insurance Programs.

Resolution: The Department's Division of Disability Determination's fiscal unit has controls in place to ensure that billings from the Washington State Patrol (WSP) are carefully scrutinized by two individuals before payment is made. If the documentation sent with the billing does not support the invoice, the Division withholds payment until adequate documentation is received. This process is not new, but has been reinforced to ensure that payments conform to the Memorandum of Understanding (MOU) in place with WSP.

In March 2007, the Division obtained required signatures from the Social Security Administration (SSA) on a new MOU between the WSP, SSA, Office of Inspector General and the Division. The new MOU contains language that provides for payment of up to 35 percent in indirect costs to the WSP. Signatures required at the state level were obtained in October 2006; SSA did not approve the agreement until March 2007.

The Division consulted with the regional office of the SSA regarding repayment of indirect costs paid to WSP. The SSA does not consider these costs unallowable and will not be requesting reimbursement from the Division.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 033

Finding: The Department of Social and Health Services, Division of Disability Determination Services, charged unallowable costs to Social Security Disability Insurance Programs.

Resolution: The Department's Division of Disability Determination Services contacted the regional office of the Social Security Administration (SSA) to report the unallowable costs associated with the non-grant Medical Assistance Program (NGMA) calculation error that affected the percentages used from January 2006 through August 2006. In April 2007, the Division reimbursed SSA for the unallowable costs per Department policy.

In August 2007, costs were reconciled and appropriate adjustments to the CMS 64 (Medicaid Quarterly Claims) reports were completed.

Internal controls have been implemented to ensure that NGMA rates are calculated correctly. The NGMA spreadsheet is now protected so that formula errors do not occur. The spreadsheet calculations are reviewed by the fiscal unit supervisor before being transmitted to the Office of Accounting Services for input into the state accounting system.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2006 F

Finding Number: 034

Finding: The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.

Resolution: The Department's Division of Disability Determination Services consulted with the Department's Central Contracts Services to develop a personal service contract for consultative providers. The Division identified prospective contractors through a "Request for Qualification" process, in accordance with RCW 39.29.040 and the Office of Financial Management guidelines. The Division offered personal service contracts to all qualifying providers who were willing to accept standard fees.

The Division created contracts and maintains records for each contractor in accordance with Department policies. New contracts were signed as of October 1, 2007.

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